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Communist China's Economy

After taking over the mainland of China in 1949 and establishing peace in the country for the first time in decades, the Chinese Communists moved with energy and dispatch to rehabilitate and expand the national economy. The economy was organized along socialist lines and economic planning on the Soviet model adopted, featuring a strong, Stalinist emphasis on the rapid development of heavy industry.

In the intervening eight years, notable advances have been scored. Industry has not only reached levels never before achieved in China, but many new industrial items were turned out for the first time, including ~~planes and jets~~ aircraft, naval vessels up to destroyer escort size, trucks, and many items for heavy industry. By the end of 1957 China was producing over 5 million tons of steel as against just over 1 million tons when the First Five-Year Plan began in 1952. The rate of increase achieved compares favorably with the high rates achieved by the USSR during its First Five-Year Plan (1928-1932).

Soviet economic credits were relatively small, amounting to only 2.5 per cent of total imports, but Soviet assistance in the building of 156 key industrial projects-- which the Chinese are paying for by current exports--greatly helped China's industrial advance.

Advances in agriculture have been less notable and have consistently lagged behind Peiping's expectations. During

the past five years, agricultural output grew at an average annual rate of only four per cent, as against 17 per cent for industry and six per cent for the Gross National Product (GNP). And per capita consumption grew at an average annual rate of only two per cent, and practically no advance was made in per capita consumption in rural areas. China's GNP during 1957 was roughly \$43 billion, as compared with \$24 billion for India and over \$400 billion for the US.

Communist China has drawn up a series of rather ambitious goals for the Second Five-Year Plan (1958-1962), and for the longer term. For example, China now says it can overtake the UK in the production of Important industrial items in 15 years and that it should be in a position to overtake the US at about the end of the present century. There is no lack in Peiping of what it describes as "revolutionary optimism." The Chinese Communists are confident, in the words of Chairman Mao Tse-tung, that "the east wind (communism) is now prevailing over the west wind (capitalism)."

But there are great obstacles. Largest among these is the nation's immense and rapidly growing population. At the end of 1957, it stood at roughly 640,000,000 persons by far the largest population in the world. This population is growing rapidly, at roughly 15,000,000 a year--more people than live in our most populous state, New York. These millions of additional mouths threaten to eat up Peiping's hard-won production increases. Ominously for Peiping, in 1957 the population

grew, for the first time, at a faster pace than did the national output of foodgrains. This is a trend which Peiping must reverse, or it will find that it cannot generate the larger and larger amounts of investment capital needed to keep its economic programs alive. The key to this situation is a more rapid development of agricultural output. Over the next five years, the growth of agricultural output will almost certainly lag behind the ambitious plans laid down in Peiping, but if nature does not visit a series of calamitous crop years on the country, agricultural output will probably grow rapidly enough to ensure the achievement of key investment programs and to feed and cloth the population (which will reach 710-720,000,000 by 1962) at no better than the present levels.